

Consultation on the future « EU 2020 » Strategy

Launched in 2000, the Lisbon Strategy aimed at “making the European Union the most competitive economy in the world and achieving full employment by 2010”. To achieve these objectives, it was based on three pillars: an economic pillar to shift to a knowledge base economy, a social pillar to invest in human capital and employment, and an environmental pillar to decouple economic growth from the use of natural resources.

The report of Wim Kok, former Prime Minister of the Netherlands, for the mid-term review of the Lisbon Strategy underlined the fact that results remain limited. In 2010, most of European stakeholders agree that the Lisbon Strategy did not meet the expected objectives. The economic and financial crisis is an additional challenge that sets the need for a debate on the Lisbon Strategy’s successor, which would allow the EU to successfully exit the crisis. Alstom therefore welcomes the initiative of the European Commission to work on a new European Strategy, to raise EU growth and competitiveness.

This consultation launched by the European Commission on its working document “EU2020” Strategy is a unique opportunity to organise a reflection on: first, the content of this new Strategy, then the means/instruments to achieve these objectives. Alstom strongly believes this could only be done by taking stock of the failure of the Lisbon Strategy and analysing its causes.

That is why Alstom would like to:

- First to express general comments on the working document, focusing on the ways it could be implemented
- Then, to explore the three proposed priorities of the “EU 2020” Strategy, especially on “creating a competitive, connected and greener economy”
- And as a conclusion, to underline the points of importance for Alstom

General comments: implementation of the “EU 2020 Strategy”

The main point Alstom wants to raise is: how this new Strategy will be implemented in practice? Drawing conclusions of the implementation of Lisbon Strategy and relationship between Member States and the European level is crucial to get a successful Strategy for 2020.

1. Member States level: improved OMC processes

The Open Method of Co-ordination (OMC) is useful as a means of identifying and disseminating good practice in the making and execution of policy. It has delivered some instances of Member States introducing reforms as a result of their enhanced knowledge and understanding of reforms in other Member States (e.g. the recent Higher Education reforms in Germany).

However, insufficient use has been made overall of the outcomes of OMC. There needs to be a consistent and rigorous approach to the identifying and disseminating of good practice. And the EU needs to engage more proactively with Member States in encouraging and incentivising them to emulate the good practice identified. Country-Specific Recommendations have been an important innovation. But it has been too easy for Member States to ignore the Recommendations issues to them. The fact that a number of Member States have received the same or similar Recommendation in successive years reflects this.

The new Strategy must provide some genuine support, incentives and pressure for Member States to introduce the necessary reforms. OMC of course concerns some specific areas. As far as the “EU2020” Strategy is concerned, it should only deals with “creating value by basing growth on knowledge” & “empowering people in inclusive societies”. Alstom recommends the following:

1. All OMC processes should routinely produce “**Compendia of Good Practice**” which are:

- made public
- disseminated to all the relevant policy-makers in the Member States at all the relevant levels
- actively promoted by the Commission in public statements and in their dialogues with the 27 Member States.

2. The same Compendia should also highlight the bad practice. Policy-makers in Member States need to know what hasn’t worked as well as what has. For this to work, those participating in OMC need to be encouraged to be more open about the success of their policies.

3. Greater use should be made in benchmarking in assessing Member States’ performance against policy guidelines. The **OECD’s PISA league** tables for educational performance illustrate powerfully the effectiveness of ranking countries’ performance in a given policy area against one another. It is a low-cost policy tool that the EU should make far more use of. There need be no political concerns about “naming and shaming”, provided the assessments are performed by independent experts. No OECD country complains publicly about the PISA process: they get on and improve their education systems.

4. Country-Specific Recommendations should be made more public than has been the case hitherto. The Commission should review the practice of negotiating them with Member States. If the Commission’s evaluation and the Member States’ peer review process has shown a Member State is not meeting a given policy guideline, there should be very little for the Member State concerned to negotiate.

2. European level: increased role of the European Union

The Open Method of Co-ordination is relevant for areas, which fall within the competences of Member States: employment, education, flexicurity etc. And the proposed improved OMC processes are appropriate for most of the two priorities of the proposed “EU 2020” Strategy”. However, as regards the third objective, called “**Creating a competitive, connected and greener economy**”, Alstom believes that the European level is more relevant: the European Union is actually legislating in the field of transport, environment, energy etc. Our recommendations are the following:

1. The EU needs to make greater use of legal instruments in delivering the EU2020 policy goals. This should include the **adoption of legally binding targets** for Member State in some policy areas. Some progress has been made in recent years: e.g. Member States now all have legally-binding targets for increasing the share of renewables in their energy mix, and for reducing their greenhouse gas emissions in

sectors not covered by the EU ETS. But there are still important gaps: e.g. there are no legally binding targets for improving energy efficiency. In its working document, the European Commission proposes to “harness existing instruments in a new approach” to reach its objectives: Alstom agrees with the instruments proposed but, as mentioned above, called for precise and binding instruments, on which will depend the success of the Strategy.

2. The EU should use legal instruments when necessary. For instance, getting a true European industrial policy, or a stable legal framework at the EU level is critical for patents and protection of the Intellectual property. This is the only way to foster and encourage innovation in the EU. Member States should accept that in some areas, unified and coherent legal instruments have to be adopted at the European level. This is all the more relevant that consistency with the existing EU policies is vital: FP7 and innovation, energy and climate change policy etc.

3. The three policy priorities identified in “EU 2020” Strategy must be fully reflected in the EU Budget. The forthcoming negotiation of the Financial Perspective for 2014-20 offers an ideal opportunity to achieve this. Specifically, there need to be a radical of refocusing of the Budget towards the “connected and green economy”.

The three priority policies of the “EU 2020” Strategy

Alstom supports the three main priorities as proposed by the European Commission, especially the need to develop “a smarter, greener economy”.

1. Creating value by basing growth on knowledge

Alstom would like to highlight three key aspects:

1. Education: scientific and technological universities or education programme need to be supported, in order to train the future workers of the low carbon economy. To that purpose, the education system should match the skills that will be needed in the sectors recruiting.

2. Research: to be competitive, the EU and Member States have to simplify administrative requirements, cut red tape and allocate greater budgets to support innovative industries. Applied research and technology demonstration projects have to be financially supported. For instance, the EU support to Carbon Capture and Storage demonstration projects will allow these new technologies to be experienced on a large scale, in order to offer worldwide a solution to climate change.

3. Intellectual Property: is a key driver of investments in R&D and innovation: Alstom therefore calls for a stable and effective IPR regime to stimulate further investments. Trade secret and know-how should also be considered and get a legal framework at the European level.

2. Empowering people in inclusive societies

The best way to empower anyone in society is to ensure they can work. And the most important thing they need in order to work is the skills required to prosper in the modern global workforce. As already underlined above, the EU must strengthen the support it provides to Member States' efforts to improve both basic educational standards and the higher level of skills along their workforces. The successful transition to a sustainable and competitive low-carbon Europe required a skills base that is lacking at the moment. Many of our economic competitors are already better placed here.

3. Creating a competitive, connected and greener economy

Alstom strongly supports the third priority of the EU2020 Strategy: it is in these areas that the EU will be able to be competitive and get a global leadership. Alstom particularly backs:

1. The combination of regulation and market-based instruments: to incentivise but also find the money necessary to shift to a low carbon economy, Alstom welcomes the combination of financing instruments: as enhanced public investment in green products and technologies, a European Emission Trading Scheme, green public procurement, Public Private Partnerships, specific state aid policy for green technologies and innovative companies + regulation or legislative instruments when necessary.

2. Increased investment in low carbon technologies and infrastructures: Decarbonising the European economies is crucial. To start with this huge challenge, the most polluting sectors have to be targeted: energy and transport sectors. Investing massively in low carbon technologies and infrastructures (CO2 networks, smart grids, rail transport system) is key to this and but will require huge investment both from Member States and the European Union. As an example, smart grids, carbon capture and storage technologies, energy efficiency etc are technologies to be supported by bigger investment.

3. A reshaped transport policy: in the context of global warming and the important contribution of the transport sector to greenhouse gas emissions, the definition of a new strategy for the transport sector is of utmost importance. The necessary actions are: modal shift to environmental friendly modes of transport (rail, barge), internalisation of external costs for all transport modes, upgrade of rail infrastructures and integration of transport networks (focus on bottlenecks, harbours, connections with urban nodes and logistics centres).

4. A European industrial policy: Alstom welcomes the proposal of the European Commission to finally set a European industrial policy, as European value-chain is based on long-term strategies. It will foster EU industrial basis provided it comes with: a promotion of common European norms and standards to be promoted worldwide (see success of ERTMS in the transport sector) and an adequate trade policy. Trade policy is indeed a crucial aspect of a European industrial policy: we should consider how to prevent environmental, compliance or social dumping from our competitors, ensure reciprocity in market access, while developing a low carbon and highly skilled economy. A solution to think about could be to temporarily protect the newest industries, until they become competitive.

Conclusion

Alstom believes that the success of the “EU2020 Strategy” will depend on:

- How it will be implemented and;
- How the European Union and Member States will share their responsibilities and actions.

As regards the key priorities for “EU2020”, Alstom wants to stress:

- **The need for a European Industrial Policy and a consistent trade policy, which ensures the competitiveness of our industry worldwide**
- **The need to ensure the policy priorities of the EU2020 Strategy are fully reflected in the EU Budget. Notably the priorities for a green and connected economy which receive insufficient support at present from the Budget. We specifically recommend a radical increase in investment from the EU Budget in the research, development and demonstration of low carbon technologies to support the transition to a low-carbon economy.**
- **Funding, development and connection of our European rail and energy infrastructure systems**